



Universidad Nacional de La Plata
Facultad de Ciencias Económicas
Departamento de Economía



**Sexto Seminario Internacional
sobre Federalismo Fiscal
26 de noviembre de 2001
Pilar, Buenos Aires, Argentina**

Federalism and Globalization

Thomas O. Hueglin (Wilfrid Laurier University, Waterloo, Ontario,
Canada)

Federalism and Globalization

Buenos Aires, 26 November 2001

Thomas O. Hueglin
Wilfrid Laurier University
Waterloo, Ontario, Canada N2L 3C5
thomashueglin@attcanada.net

Introduction

In the context of what is generally referred to as a globalizing world, we have become accustomed to speak of new forms of multilevel governance. The paradigmatic shift from government to governance signals the presumable end of the modern Westphalian state system in which the governments of territorial nation-states held exclusive or sovereign governing powers (Hueglin 1999). Instead, we now detect that acts of governing are carried out by a plurality of governmental and non-governmental actors below and above the nation-state. Since these acts, by international organizations as well as regional governments and civic movements, affect citizens directly, a growing democratic deficit of accountability has been recognized. Democratic political theory and practice therefore have begun a search for viable models of global democratic governance.

By recognizing territorial group rights alongside with individual rights and freedoms, federalism, or, more precisely, the theory and practice of the modern federal state, provide such a model in principle. This is by no means undisputed. In his search for models of cosmopolitan democracy, David Held, perhaps the most prominent global democracy theorist at the moment, had to admit that he substituted “federal” for “cosmopolitan” because of the controversial meaning of federalism in Europe (1992), and especially so in Britain where federalism, with the American model in mind, was seen as synonymous with federal government and centralization. In newly federalizing polities, however, Spain, Belgium and South Africa among others, federalism is understood as a safeguard of local and regional autonomy, or, more generally, as a means to the organized recognition of territorial group rights and their democratic inclusion into the body politic.

In the context of globalization, it would have to mean both, as it of course always does, the establishment of effective and democratic governance on a world scale, and at the same time the retention of significant levels of autonomy and self-government for states, regions, localities and other collective actors. In this presentation I want to address three questions: 1. What exactly is globalization and does it exist? 2. What exactly is federalism and why do we need it? 3. What kind of federal institutions can serve global governance?

1. What exactly is globalization and does it exist?

Globalization is mainly a convenient metaphor for a all kinds of political, social and economic phenomena that we understand poorly because they do not fit into the traditional images of a modern world divided into sovereign nation-states and international relations (see **Table 1**).

Table 1. Globalization

economic	international trade transnational production denationalized financial markets	incongruent and overlapping ascending order of anarchy
social	partial world market society communities of fate communities of choice	overlapping to mutually exclusive nested to interconnected
political	American world order IGOs	undemocratic from intergovt'l to regulatory

The obvious starting point is **economic globalization**. This is not a new phenomenon because **international trade** has existed throughout most of human history. More recently, however, the **transnational production** of goods and services has become intensified. Above all this has severed the traditional nexus of productive location, work force, and state regulation. And finally, **denationalized financial markets** have become autonomous circuits of productive and speculative investment.

In comparison to the conventional model of economic systems, these multi-layered economic activities have become more **incongruent** even though they are still **overlapping** to a significant extent in national economies. They are also characterized by what one might call an **ascending order of anarchy**. While international trade enjoys the organized protection of complex and detailed trade agreements and principles, the flexibilization of transnational production appears to follow an idiosyncratic mix of political, economic and cultural factors. Even the ill-fated MAI would only have removed some of the political factors. The anarchy, or, shall we say, tyranny of financial markets, finally, insofar as it appears driven by faith and chuzpe rather than those principles we commonly associate with solid resource management, can be characterized by what Susan Strange has aptly called casino capitalism (1986). Its effects have begun to overshadow all other economic activities.

Turning to **social globalization**, we can recognize a **partial world market society**. Images of, say, African migrants wearing Nike shoes and Coca-Cola T-shirts cannot undo the fact that 90% of the world's population enjoys a 10% share of the world's wealth. At best, this means that participation in the world market is extremely uneven. At worst it means that significant parts of the world have no access to this market at all. Within and across this partial world market society, the activities and desires of citizens continue to be guided by their allegiance to what can be described as **communities of fate**. These erect nationalist, regionalist, religious and ethnic and even gendered boundaries of identity and loyalty that resist incorporation into a world market society. The now famous metaphor of Jihad v. McWorld (Barber 1992) nicely if vaguely and, in light of recent events, ominously, captures the essence of a complex and often conflictual situation. Another structural and potentially divisive component of world society are **communities of choice**. These are self-governing civic and non-governmental organizations (NGOs) like Greenpeace or the Council of Canadians whose members choose to promote causes ranging from environmental protection to democratization. The number of NGOs has risen from roughly 1,300 to 36,000 between 1960 and 1995 (Boutros-Ghali 2000, 111).

Most people belong to a plurality of both types of community. Variations can be measured on a scale from **overlapping to mutually exclusive**. National loyalties may overlap with regional pride of place, ethnic and/or religious belonging with commitments to various civic organizations. However, for a variety of reasons including both radical desires to retain traditional roots and identities, and more pragmatic drives to achieve modernization and inclusion, a significant number of citizen groups, nations and even entire countries define their loyalties and identities in increasingly exclusive terms. Islamic fundamentalists seek to insulate their peoples from western influences and domination. Regionalists in Québec, Scotland or Corsica promote modernization agendas tied to language, history and culture. The boundaries between choice and fate are fluid. Environmentalist organizations turn to radical action when their demands are not met in full. Anti-globalization groups practice civil disobedience at considerable personal cost when a march through the institutions appears out of sight.

Within a global context of power diffusion and retreat of the state from its traditional role as the sovereign policy provider, subnational territories and their leaders as well as civic organizations, ethnic minorities, business elites and special interest policy communities no longer appear firmly **nested** in the territorial nation-state. Playing multilevel games at the local, regional, national and international level, their relationship to the state takes on characteristics of an new kind of loosened **interconnectedness** (Caporaso 1996).

Within these economic and social contexts, it is the aspect of **political globalization** that must appear most underdeveloped and troubling. Various schemes of regional integration, from the European Union to Nafta, ASEAN and Mercosur predominantly serve an economic free market agenda. This is true even for the European Union. Its impressive supranational integration achievements are for the most part limited to the establishment of economic and monetary union. It is at least unclear, moreover, whether these various projects of regional integration are meant as stepping stones for a global economic order, or whether they have been constructed as means of regional insulation against it. The United Nations, on the other hand, doubtlessly an important body for the formulation of a global political agenda, remains both a reflection of global divisiveness, and an ineffectual tool to overcome it.

In order to bring a complex world situation to a rather simple and, surely, simplified, point: Since the fall of the Berlin Wall in 1989, the state of political globalization can be summed up as a new **American world order**. Only American interests can bring about hemispheric or global action, whether it be free trade or the fight against terrorism. Only American parochialism can defy ratification of international treaties, as the conventions on the rights of children, banning land mines and discrimination against women, or on setting up an international criminal court, for instance. With regards to the rights of children, Somalia is the only other country equally intransigent. As President George W. Bush said recently to the rest of the world: you are either with us or against us. A third option is not possible. The occasion, of course, was an unprecedented terrorist attack. But it seems clear that the United States of America, as did the British Empire in the 19th century, not only rules the waves but also, when it serves its self-defined interests, waves the rules. Canadians will adopt American security rules, for example, or the joint border will be shut on them.

Apart from the only remaining superpower, the world is increasingly governed by international or intergovernmental organizations (**IGOs**). Again, these, such as the World Bank, the IMF and the WTO, serve predominantly economic purposes. Moreover, at least in the first two instances, voting power is linked to financial might. In most cases, decisions cannot be taken against the veto of US interests. Decision takers typically have the least power and influence. Decisions regarding credit flows,

and the impositions on domestic social policy restraint that usually come with them, are of course eminently political. In that they constitute a new form of world governance but they hardly qualify as the political manifestations of a world government.

Political globalization to the extent that it exists, then, is first and foremost **undemocratic**. This is not immediately meant as a value statement. After all, we live in a binary world of states and markets that is predicated upon the liberal assumption that the voting booth governs the one, and the pocketbook governs the other. Only a few die-hard socialists would still dare to suggest otherwise. We also have been living for a long time in a world that separated democratic nation-state politics from international relations. And these come about through **intergovernmental** relations among elected governments, with accountability provided by the periodical electoral process and, on occasion, national ratification referenda.

What is new in this context, however again, is that intergovernmental agreements have increasingly resorted to the establishment of IGOs as autonomous **regulatory** agencies more than just one step removed from public scrutiny. The implications of these regulations for the general public are nearly impossible to gauge. Once in place, they can hardly be undone. The civic action that almost accidentally brought an end to the clandestine negotiations of the MAI only shows that the powers of organized segments of world civil society resembles the medieval right of resistance: a right to resist tyranny, perceived or real, but not a right to question the legitimacy of princely governance as such.

And again, the question must for now remain open as to whether this regulatory globalization drive will be successful or self-defeating. As the brewing feuds between North America and the European Union over hormone-treated beef and GM foods indicate, globalization remains a project, not a reality already achieved. This is not just a potential trade war fought with non-tariff barriers. Its cause are deeply rooted differences of policy formation. The Americans operate under the principle of innocent until proven guilty and therefore insist that the Europeans must accept imports under existing trade rules. The Europeans in turn follow a policy principle of suspect until proven innocent; whence their refusal of beef imports and insistence on strict labelling of GM foods - unless there is proof that both are harmless. To put it differently, these are sociocultural differences between North American litigation societies and European regulation societies that cannot be undone by global regulatory fiat. The WTO will eventually have to change its mode of operation or it may break apart in the end.

2. What exactly is federalism and why do we need it?

I will come back to the second part of this question at the end but suffice it to say for now that federalism will be defined and understood as a system of multilevel governance that is capable of accommodating such and other differences under the umbrella of common standards and frameworks based on, as the clichés go, diversity in unity, or as a community of communities. In light of the foregoing discussion of globalization as a multi-level and multifarious state of affairs, though, it should already be clear that the kind of federalism that might be needed will have to be rather distinct from the conventional model of the modern federal state to which we briefly turn now (see **Table 2**; comp. Watts 1999).

Table 2. Federalism

representation	territorial bicameralism	senate or council popular or governmental
power divisions	legislative federalism administrative federalism	constitutional enumeration judicial review
decision making	separated integrated	competitive collaborative

Democratic federal states differ from unitary states, first of all, by their dual systems of **representation**. The popular will gets to be expressed twice, at the federal and at the regional level. Governments at each level are elected and share overall power in the federation. The difference between this and local or regional government in unitary states is that the division of powers is constitutionally guaranteed and cannot be undone or changed by either one level at the expense of the other.

A second institutional feature of representation in federal systems is **territorial bicameralism**. There are also two manifestations of the popular will at the federal level itself. The national population is represented in the parliamentary chamber of legislation. Regional populations are represented in the upper chamber, by either giving each region, state, province, *Land* or canton an equal number of representatives, or by weighting the votes in favour of the smaller member units. Typically, both chambers have equal or near-equal powers. One chamber cannot enter a bill into force without approval of the other.

Because there is a wide variety of federal systems, this is more or less where the commonalities end. For the sake of brevity, and without intending to downplay significant differences elsewhere, I will focus my description and analysis of existing federal systems on two prevalent models. One is the American model which evolved out of the search for a deliberately distinct form of shared governance during the 18th century. The other is the German model. It has its roots in older political practices dating back to the Holy Roman Empire which were retrieved in the pseud-federal constitution of the Bismarck Empire during the 19th century, and finally found a federal and democratic constitutional home in the West German Basic Law of 1949. As we shall see later, this distinction is particularly important for the search of viable federal institutions in a globalizing world.

The first important distinction pertains to upper chamber representation. The American model is based on **senate** representation, the German model has adopted **council** representation. In the American Senate, two senators from each state are directly elected by the people and have a free mandate to represent their interests. In the German Federal Council, the *Bundesrat*, members are *ex officio* representatives of the *Länder* governments and deliver weighted bloc votes as instructed by these governments. American senators, in other words, are **popular** representatives who do not necessarily advance the interests of state governments. The members of the German *Bundesrat*, on the other hand, represent **governmental** interests.

All systems of federalism are of course based on **power divisions** between the two levels of government. Historically, these divisions typically were the result of a compromise between economic

modernizers and cultural traditionalists. In principle, therefore, trade and commerce became national powers, while culture, education and welfare remained at the lower level. In modern practice, however, either level can typically legislate in most policy fields except those explicitly designated as national prerogatives. With regard to just how these power divisions are then organized, the two models are distinct again.

The American model is one of **legislative federalism**. The responsibility for a particular policy is allocated at one or the other level of government in its entirety. Within its respective sphere of jurisdiction, each level is in charge of policy formation, legislation, implementation and administration. This means that the civil service is divided as well and citizens need to know whether to go to a federal or regional government office.

The German model in turn follows historical patterns of **administrative federalism**. While most of the important legislative acts are generated at the federal level, and with the co-decision rights of the *Länder* via the *Bundesrat*, their implementation and administration is left to the *Länder*. *Land* legislation typically produces executive laws and specific policy programs under the umbrella of federal framework legislation. Citizens only have to deal with one string of public *Land* administration.

In either case, the division of powers is based on **constitutional enumeration** and **judicial review**. Court litigation over conflicting interpretations of the division of powers is less likely in the German system, however, because each act of legislation will specify who is entitled to do what within the constitutional framework, and, as mentioned before, the *Länder* directly participate in this legislation.

These institutional differences have far-reaching implications for the **decision making** mode and style in federal systems. The processes of decision making are **separated** in the American model. Neither level of government has a direct input into the decision making of the other. American governors, for instance, are just one lobby group among others in Washington DC, and they are not even one of the important ones. Deeply committed to the idea of mutual checks and balances, most Americans would find the **integrated** German mode of decision making rather peculiar if not appalling. From the German perspective of administrative federalism, however, it appears as a necessary means of legislative coordination. Because it is the *Länder* which have to implement and administer most federal laws and programs it seems logical that they should have a direct say in the content of those laws and programs. German bureaucratic orderliness would in turn shudder at the thought of having to operate under American conditions of service duplication and redundancy.

The Americans, of course, wouldn't call it that, speaking of **competitive** efficiency instead. Each level of government does independently what it thinks is best for their citizens before pragmatically addressing coordinative needs through intergovernmental relations. Despite hundreds of intergovernmental meetings going on at all levels of government and administration every year, the result has been a wild growth of mostly conditional grant programs imposed upon states and cities by Congressional supremacy. The much more **collaborative** decision making style in the German system is not free of serious flaws either, though. The constant need for legislative compromise at the federal level inevitably will delay necessary initiative and may lead to policy formation at the lowest common denominator.

Of course, both systems work, and quite admirably so. The viability of all federal systems lives from a cooperative predisposition which is in turn nurtured by mutual need and interdependence. The extent to which such a predisposition is present or not depends not so much on constitutional design as

on political culture and partisanship. Regional cultural differences in Canada delay or prevent necessary cooperation even though the federal system has institutionalised intergovernmental First Ministers Conferences that have no equivalent in the United States. The Brazilian federal constitution has virtually copied American institutions, yet the Brazilian Congress has been described as a “paralysed competitive arena” (Souza 1997, 180). And the German system of integrated or interlocking federalism has been criticised as a “decision trap” (Scharpf 1988) because collaboration can come to a deadlock when different party majorities occupy the two chambers of the federal legislature.

3. What kind of federal institutions can serve global governance?

Trying to answer the third question, I begin by reiterating some basic premises. Globalization is a multilevel process of governance that is mainly, but not exclusively, driven by market forces. It includes only a selective number of active governmental and non-governmental participants although its results affect everyone everywhere. Even when it has significant political implications, it is not democratic. Federalism in turn is an already established democratic form of pluralised governance. On a limited territorial basis, it recognizes collective identities and freedoms as an important corollary to individual rights and freedoms. In order to adapt the federal state model to the needs of global democratic governance, however, important expansions and modifications have to be made.

On the one hand, the model of the two-storeyed federal state has to be expanded into a “cybernetic” (Riklin 1994) model of multilevel governance. Globalization is a process of integration *and* fragmentation. Within nation-states, regions and localities are becoming more economically mobile and politically active, not less. Nation-states in turn not only surrender some of their sovereignty to international regulation, they also band together in regional or hemispheric organizations of collective interest protection. Obviously, all this can generate conflicting strategies and goals.

On the other hand, and this is a far more difficult and controversial issue, the search for a viable and legitimate form of cybernetic world governance cannot stop at the traditional boundaries of public and private, state and market. Precisely because of the socioeconomic, environmental and other transborder effects of state and market behaviour in a globalizing world, civic organizations have established themselves as important collective actors in their own right. Just as international terrorism cannot be ignored as a globalized threat, organizations like Greenpeace cannot be ignored as a globalized force either. The French state certainly didn’t when it blew up its flagship in New Zealand. The point is not to make facile distinctions between good and evil. It is to acknowledge that civic organizations already play a significant role in global politics. Neither can they remain uncontrolled, nor should their creative potential remain untapped. After all, membership in such organizations often exceeds that of established political parties.

More importantly still, there is no doubt on the mind of anyone concerned about global democracy that transnational corporate and financial powers have to be tamed. The operating budgets of the world’s largest corporations exceed those of some middle-sized nation-states. Financial speculation of a handful of traders can bring down the economies of entire countries. There is danger that history will repeat itself.

From Carl Polanyi (1944) we have the unmatched and generally unchallenged description of a previous great transformation that took place during the 18th and 19th centuries, from a time when

markets were no more than “accessories of economic life,” to our own times in which they are celebrated as the very end of “man’s [and woman’s] secular salvation.” Last but not least, it is this totalizing insistence upon the universal validity of this secular faith, propagated as the very end of history even, that generates fundamentalist hatred against it.

Polanyi observed that what he called the “satanic mill” of unleashed market forces would turn self-destructive, and that it was economic liberals themselves, “enlightened reactionaries,” as he called them, who demanded that regulatory controls be put into place in order to maintain, or, in many places and instances, regain, social and political stability. What may repeat itself, here, is that we have to learn the painful lessons of the 19th and early 20th century all over again, and this time in a globalized rather than nation-state environment. However, we are no longer living in that distant past when England’s property classes thought it in their best interest to curb child labour and ship starving offenders off to Australia, or when Bismarck decreed the first acts of social welfare as an insurance policy against the rising tide of social democracy. Today’s world requires significant popular involvement and accountability. Global stability, if it will ever come about, will have to be the result of a bottom-up process of plural compromises and agreements, or it will not be.

For the limited purposes of our investigation into the possibilities of global federalism (see **Table 3**), we first have to determine the **actors**. This is by no means easy but so much seems clear: Multilevel governance will have to extend to **governments** at all levels, local, regional, national and supranational, as well as to organized **civil society**. Defined in the broadest possible terms, this will mean the inclusion of business and labour organizations, social movements, consumer groups, ethnocultural and religious minorities. I am not aware of a single recent publication on global governance that would not include both governmental and non-governmental collective actors in its design and vision. The kind of federalism possibly spanning a globalizing world would therefore likely have to be a new kind of **societal federalism** combining territorial and non-territorial forms of representation.

Table 3. Global Federalism

actors	governments civil society	societal federalism
institutions	councils	consecutive federalization
power division	framework legislation	subsidiarity
decision making	consent QMV	treaty federalism

This is by no means as outlandish as it sounds. It has a tradition that is both older and longer than that of modern parliamentary representation. For a thousand years, guilds and colleges sat in city councils, and at least some cities had seat, voice and sometimes vote in the assemblies of kingdoms and empires. Modern state sovereignty eventually disempowered these social forces, and the absolutist rule of princes gradually came to be replaced by the absolutist powers of national parliaments. But that

tradition is only about 350 years old, and it may be on its way out. In the European Union, for instance, for many a prototype of successful transnational governance, the Council of Ministers cooperates with the 222 members of an Economic and Social Committee composed of representatives of workers, employers, professional and consumer organizations. The Committee only has a consultative voice but at least it exists as source of steady societal input.

The representative **institutions** for a global system of federal governance would have to reflect spatial as well as societal diversity. It is unlikely that there will ever be a global system of parliamentary representation and majority rule. The preconditions for such a system, common language, joint experience and collective memory, do not even exist in the European Union (Kielmansegg 1996). For the same reason, representation in a global system of federalism will not be based on the senate model. After all, even American senators have been directly elected only since 1913 when American nationalism and imperialism peaked for the first time.

Instead, democratized global governance will most likely emerge as governance by **councils**. As in the European Union and IGOs, the members of various governing bodies will be instructed delegates appointed or elected by their home governments or organizations. This will be legitimate as long as these governments and civic organizations remain the centre of political gravity and loyalty for most citizens. Democratic global governance, if it ever has a chance, will likely have to evolve as a system of indirect **consecutive federalization**.

The delegates of civic associations and ethnic neighbourhoods will sit in city councils. The delegates from cities and municipalities will sit in the second chambers of provinces, states or cantons. Representatives from these will in turn occupy the seats of second chambers at the national level. Following the European lead, nation-states with common regional ties and interests will have to become organized similarly as well. At the global level, finally, there probably would have to be a tricameral system of governance. A national council chamber would represent the voices of nation-states. Supranational organizations like the EU, Nafta, Asean and Mercosur, complemented by similar organizations for Africa, central Asia etc. would be the members of a regional council chamber, and the representatives of large civic organizations would make up a third chamber.

Sounds outlandish again? What I have sketched out here as a system of global federal governance is in fact a fairly accurate reproduction of governance as it existed for nearly a thousand years in the Holy Roman Empire. Of course, you might immediately hold against me that the Empire collapsed and gave way to a factious system of sovereign states. But at least it is worth remembering that this collapse was brought about top-down, in the formulation of the historian Charles Tilly, “by small groups of power-hungry men [who] fought off numerous rivals and great popular resistance in the pursuit of their own ends” (1975, 635).

In pre-modern times, governance was based on a near-anarchical system of overlapping rights and privileges, and, indeed, it has been likened to our own post-Westphalian “neo-mediaeval form of universal political order” (Held 1995, 137). But comparisons across space and time only go so far. Who would do what in a multi-layered global federation? What **power division** would prevent such a federation from merely reproducing pre-modern patterns of anarchy?

At first glance it appears as if the traditional pattern of modern federalism was being reproduced at the global level as well, with IGOs responsible for matters of trade and commerce while leaving culture, education and welfare to the nation-states. The problem is that what is in the process of being reproduced, here, has long ceased to work in the classical federal states. In a complex world of rapid

communication and instant capital transfers, both economic and social activities cut across all boundaries. Economic globalization requires nation-states, regions and localities to become economically more proactive, not less. At the same time, the social consequences of economic globalization require concerted policies of stabilization within and across nation-states and regions.

Obviously, not everybody should aspire to do everything. This precisely is the problem of efficiency and democracy in many federal states. Overlapping and concurrent jurisdictions blur a clear view of who is responsible for what, and federal cooperation easily degenerates into a game of buck passing, name calling, and downloading fiscal responsibilities. A possible way out is provided by the German model of **framework legislation**. Global institutions would provide general guidelines for trade and investment as well as minimum standards of social security. Obviously, these would have to be differentiated for different parts of the world, and they would have to provide room for flexible adaptation and implementation within states, regions and among self-governing civic communities.

Especially political practitioners unfamiliar with the German system will groan at this level of descriptive vagueness. Yet in German practice, there is plenty of precision, and especially so in a particular turbulent field of intergovernmental relations, fiscal federalism. The policy agenda is usually set by the federal government. Via the *Bundesrat* and the Mediation Committee in particular, the *Länder* play a direct co-deciding role. The bill eventually passed spells out what exactly the *Länder* are supposed to do. There is little haggling about money because of Germany's more than precise regime of fiscal federalism: The three major taxes are share taxes. By constitutional law, federal government and *Länder* split revenue from income and corporation taxes. The formula for the distribution of the value added tax is laid down in a periodically renegotiated federal law. A horizontal system of fiscal equalization automatically redistributes funds from richer to poorer *Länder*. Municipalities receive 15 per cent of the income tax *Länder* share.

In a much more complex global system of multilevel governance, such constitutional certitude can hardly be expected. What is needed, here, are further principles of guidance for negotiated agreements. The principle of **subsidiarity** as enshrined in Article 3b of the European Union's Maastricht Treaty provides a possible model. Its crucial passage reads that "the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or the effects of the proposed action, be better achieved by the Community. Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty" (Agence Europe 1992).

What this amounts to is this: In principle, the Community is not tied to a specific enumeration of powers. It can act in any policy field deemed necessary by mutual agreement. But it cannot occupy such a policy field in its entirety. Community action can only determine the ends or common goals and standards of a particular policy, to the extent that these cannot be achieved by the member states separately. The means of implementation and administration are left to the member states.

This leaves the question about the actual process of **decision making**. How would multilevel negotiations among a plurality of governmental and non-governmental actors ever lead to necessary and desirable action? Decision making rules oscillate between two extremes, unmitigated majority rule by which the minority simply has to accept the result (or hope for the next election), and unanimity by which each member is given an absolute veto. Majority rule, with the modification of federal bicameralism, prevails in the modern nation-state. Unanimity and consent are usually reserved for international

agreements and treaties. Majority rule remains impossible at the global level of governance. The vast majority of people and countries in the world is poor and the minority of the rich countries would never submit to their majority will. An absolute **consent** requirement, on the other hand, would render global governance entirely unmanageable.

What is required instead, is a compromise system of weighted or qualified majority voting (**QMV**). Analogous to the German *Bundesrat* again, the European Community has adopted such a system. In the governing Council, member states are represented by only one minister. Each has a weighted bloc vote roughly corresponding to country size and population: Britain, France, Germany and Italy have 10 votes each; Spain has 8; Belgium, Greece, the Netherlands and Portugal 5; Austria and Sweden 4; Denmark, Finland and Ireland 3; and Luxembourg 2. This means that out of 87 votes in total, the qualifying majority is 62, and the blocking minority is 26. A revised formula reflecting the Union's imminent enlargement by countries from eastern and central Europe has already been agreed upon in the recent Treaty of Nice.

As it stands, qualified majority voting in the Council provides a balanced formula of federal accommodation. Even two of the larger member states cannot impose their will on the Union, for instance. Smaller countries, on the other hand, can block a decision if they win support from one of the large member states. Because changes to these rules require unanimous agreement among member states, the European Union constitutes a novel case of **treaty federalism** rather than a conventional model of constitutional federalism.

Obviously again, a global federal system would have to be based on a more complex formula. In light of the institutional format mentioned before, it could look like this: In the council of nation-states, votes would be taken by majority. In the regional council, representing different parts of the world at different stages of economic development, votes could be weighted on a basis of demographic *and* economic strength so that the industrialized world would have to secure support from at least one developing region in order to carry a decision, but likewise so that the developing regions together cannot outvote the collective interests of industrialized nations. Finally, a veto by the civic council would require a two thirds majority.

Conclusion

In comparison to the regulatory prowess of IGOs, a global system of federal governance based on these principles and institutions would be cumbersome and piecemeal for sure. It is also, at this point, the outcome of much speculative phantasy. American economic and military prowess wouldn't have it in the first place. But at least four arguments can be put forward in its defence:

The first one has to do with self-defence. It is the role of the political theorist to think about alternatives. Although there must also be a place for utopianism, the models and speculations of social science have to be measured and evaluated by their proximity to existing reality. My vision of that reality is obviously more influenced by the European Union than by the United States of America. Nothing in the European Union is perfect but the point is that it has, with all its imperfection, achieved an astounding level of success.

The second argument is a democratic one. Nobody has ever said that democratic governance should be easy. We either take democracy seriously or we don't. If we do, global problems require democratic global solutions. These cannot be brought about by regulatory fiat in remote office towers,

and neither can they be left to corporate discretion alone.

The third argument proposes that global federalism need not necessarily be less efficient than what we have now. The current efficiency record of war, poverty, financial crises, corporate tumbles and civic resistance is not exactly stellar. A more inclusive system of governance might generate considerable synergies that are otherwise all too often going to waste. More generally, consensus democracies of the confederal type can be said to have at least one operational advantage over competitive and majoritarian democracies: While processes of policy formation may be more time-consuming and cumbersome, implementation will be less difficult once an agreement has been reached.

The fourth and last argument appeals to imagination and a sense of history. When the Americans invented modern federalism in 1787, this was widely seen and criticised, by European statesmen and some Americans (Lister 2001, 19), as an impossible form of governance prone to failure. More than 200 years later, it simply may be time to muster a similarly radical spirit of innovation and move on.

Bibliography:

Agence Europe, "Text in Full of the Treaty on European Union," No. 1759/60, 7 February 1992.

Barber, Benjamin R., "Jihad Vs. McWorld," *Atlantic Monthly* 269 (1992), 33-63.

Boutros-Gahli, Boutros, "An Agenda for Democratization: Democratization at the International Level," in Barry Holden (ed.), *Global Democracy: Key Debates* (London: Routledge, 2000), 105-24.

Caporaso, James A., "The European Union between Federalism and Regulation," in Richard Herr and Steven Weber (eds.), *European Integration and American Federalism: A Comparative Perspective* (Berkeley: IAS, 1996), 34-40.

Held, David, "Democracy: From City-states to a Cosmopolitan Order," in D. Held (ed.), *Prospects for Democracy* (Oxford: Blackwell, 1992), 13-52.

Held, David, *Democracy and the Global Order: From the Modern State to Cosmopolitan Governance* (Stanford: Stanford University Press, 1995).

Hueglin, Thomas O., "Government, Governance, Governmentality: The European Union as a Universalist Project," in Beate Kohler-Koch and Rainer Eising (eds.), *The Transformation of Governance in the European Union* (London: Routledge, 1999), 249-66.

Kielmansegg, Peter Graf, "Integration und Demokratie," in Markus Jachtenfuchs and Beate Kohler-Koch (eds.), *Europäische Integration* (Opladen: Leske + Budrich, 1996), 47-72.

Polanyi, Karl, *The Great Transformation* (1944; Boston: Beacon Press, repr. 1957).

Riklin, Alois, quoted in Thomas Hafen, "Zusammenfassung der Diskussion," in Alois Riklin and Gerard

Batliner (eds.), *Subsidiarität* (Baden-Baden: Nomos, 1994), 119-32.

Scharpf, Fritz W., "The Joint-Decision Trap: Lessons from German Federalism and European Integration," *Public Administration* 66 (1988), 239-78.

Souza, Celina, *Constitutional Engineering in Brazil: The Politics of Federalism and Decentralization* (New York: St. Martin's Press 1997).

Strange, Susan, *Casino Capitalism* (Oxford: Blackwell, 1986).

Tilly, Charles, "Western State-Making and Theories of Political Transformation," in Charles Tilly (ed.), *The Formation of National States in Western Europe* (Princeton: Princeton University Press, 1975), 601-38.

Watts, Ronald L., *Comparing Federal Systems* (Kingston: Institute of Intergovernmental Relations, 1999).